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**UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF CALIFORNIA**

E & J GALLO WINERY,
Plaintiff,
v.
PROXIMO SPIRITS, INC., et al.,
Defendants.

Case No. 1:10-cv-00411-LJO- JLT
FINDINGS AND RECOMMENDATION
GRANTING MOTION FOR ATTORNEYS’
FEES
(Doc. 310.)

Before the Court is a motion for attorneys’ fees by Plaintiff and Counter Defendants, E&J Gallo Winery, Ecco Domani, and Tequila Supremo (collectively, “Gallo”). (Doc. 310.) Gallo argues that this is an “exceptional case” that warrants attorney fees under the Lanham Act. 15 U.S.C. § 1117(a). Defendants and Counter Claimants, Proximo Spirits and Agavera Camichines (collectively, “Proximo”) dispute Plaintiffs’ characterization of the case and have filed an Opposition. (Doc. 332.) For the reasons set forth below, it is recommended that the motion be GRANTED.

I. FACTUAL AND PROCEDURAL HISTORY

Gallo initially filed its complaint against Proximo on March 8, 2010, seeking a declaratory judgment that Gallo’s Camarena tequila packaging does not infringe upon the trademark or trade dress of Defendants’ “1800” tequila. (Doc. 1.) In response, on January 20, 2011, Defendants filed a counterclaim against Gallo for alleged infringement of the trade dress of “1800” tequila.

1 (Doc. 85.)

2 On January 30, 2012, the Court granted in part Gallo's motion for summary judgment
3 brought to challenge the four causes of action in Proximo's counterclaim. (Doc. 202.) The Court
4 ruled in favor of Gallo on the first through third counterclaims. (Doc. 276.) Shortly thereafter, in
5 a separate order, the Court denied Proximo's motion for partial summary judgment as to the
6 fourth counterclaim and granted Gallo's cross-motion on this claim. (Doc. 278.) Thus, these
7 orders fully disposed of the counterclaim and the Court entered judgment in favor of Gallo. (Doc.
8 279.) Finally, on April 4, 2012, the Court granted the motion to certify final judgment, dismissed
9 the remaining claims, and closed the action. (Doc. 302.)

10 Proximo filed its notice of appeal on April 18, 2012. (Doc. 304.) Gallo filed the motion
11 for attorney fees presently before this Court on May 2, 2012. (Doc. 310.) Proximo filed its
12 opposition to the motion on June 5, 2012. (Doc. 332.) Gallo, likewise, filed a reply. (Doc. 347.)
13 Following the hearing, Gallo submitted its detailed billing invoices, as well. (Docs. 355, 357,
14 362, 363).

15 **II. SUMMARY OF THE ARGUMENTS**

16 Gallo argues that the awarding of attorneys' fees is appropriate here because this is an
17 "exceptional case" under the Lanham Act. 15 U.S.C. § 1117(a). According to Gallo, the case is
18 "exceptional" because Proximo failed to present evidence regarding basic elements of their
19 claims, advanced theories that were largely inapplicable and without support, presented evidence
20 that was misleading and deceptive, engaged in particularly egregious litigation conduct, and
21 exhibited a pattern of similarly meritless claims. (Doc. 311 at 6-7.) Furthermore, Gallo argues
22 that the attorneys' fees requested are reasonable given the excessive amount of time required for
23 the litigation, the preclusion of representing other clients by counsel due to this litigation, the
24 lesser than customary rates charged by counsel due to the firm's longstanding relationship with
25 Gallo, the favorable outcome secured by counsel for Gallo, counsel's reputation, and the parity of
26 the requested award to fee awards in similar cases. (Doc. 311 at 17-19.)

27 In opposition, Proximo asserts that this is not an "exceptional case" because the
28 counterclaims were reasonably viable under the given facts and the relevant case law and were

1 therefore, not meritless or frivolous. (Doc. 332 at 11-12.) Proximo attests that the Defendants
2 did not engage in egregious or bad faith conduct, and asserts instead, that Gallo has “engaged in
3 questionable discovery tactics.” (Doc. 332 at 18.) Proximo further claims that the Defendants
4 have not pursued other frivolous claims despite Gallo’s allegation to this effect. (Doc. 332 at 19.)
5 Finally, Proximo claims that the amount of fees sought by Gallo is not reasonable because the
6 fees charged by Gallo’s counsel are not commensurate with fees charged in similar cases brought
7 in the Eastern District of California. (Doc. 332 at 23.)

8 **III. LEGAL STANDARD FOR AWARDING ATTORNEY FEES UNDER THE** 9 **LANHAM ACT**

10 Section 35(a) of the Landham Act (“the Act”) authorizes the Court to award attorney’s
11 fees to the prevailing party in “exceptional cases.” 15 U.S.C. §1117(A). Although the language
12 of the statute relates primarily to plaintiffs who establish violations of the Act, courts allow fees
13 to be awarded also to prevailing defendants. Stephen W. Boney, Inc. v. Boney Services, Inc. (9th
14 Cir. 1997) 127 F.3d 821, 827.

15 In evaluating what constitutes an “exceptional case” for purposes of fee awards, the Ninth
16 Circuit has identified those cases that are “groundless, unreasonable, vexatious or pursued in bad
17 faith.” Gracie v. Gracie, 217 F.3d 1060, 1071 (9th Cir. 2000) (citing Interstellar Starship Servs.,
18 Ltd. V. Epix, Inc., 184 F.3d 1107, 1112 (9th Cir. 1999)). The requirements are disjunctive; i.e.,
19 the prevailing party need only establish one attribute of an exceptional case, not all four. ANT v.
20 McPartlin, 2010 WL 4572690, at *4 (C.D. Cal. Nov. 2, 2010) (elaborating on the use of emphasis
21 in describing these four requirements in Cairns v. Franklin Mint Co., 292 F.3d 1139, 1156 (9th
22 Cir. 2002)). Thus, a non-prevailing party’s ability to show the absence of one factor does not
23 render the prevailing party ineligible for attorney’s fees. Secalt S.A. v. Wuxi Shenxi Const.
24 Mach. Co., 668 F.3d 677, 687 (9th Cir. 2012).

25 **IV. DISCUSSION AND ANALYSIS**

26 **A. Exceptional Case**

27 The line distinguishing exceptional cases from non-exceptional cases is far from clear.
28 Secalt S.A., 668 F.3d at 687. It is especially fuzzy where the defendants, or in this case Counter

1 Defendants, prevail due to a party's failure of proof. Id. Gallo has set forth five different
2 scenarios under which it claims the Court can determine Proximo's case was "groundless,
3 unreasonable, vexatious or pursued in bad faith" and therefore "exceptional" under the Act.
4 (Doc. 320 at 6.)

5 **i. Failure to Present Evidence of the Basic Elements**

6 Gallo cites Secalt for the proposition that a failure to present evidence regarding an
7 element of a claim, warrants an award of attorneys' fees under the Act. (Doc. 320 at 7-8 (citing
8 the District Court ruling in Secalt S.A. v. Wuxi Shenxi Constr. Mach. Co., 2010 WL 5419055 (D.
9 Nev. Dec. 23, 2010), aff'd in part, rev'd in part on other grounds, 668 F.3d 667. In Secalt, the
10 court found that the plaintiff's failure to establish the non-functionality of the alleged trade dress
11 rendered the action groundless and, therefore, "exceptional" for purposes of the fee
12 determination. 668 F.3d at 688-689. Secalt explained that exceptional cases include instances
13 where plaintiff's case is frivolous or lacking merit. Id.

14 Here, Gallo alleges Proximo's failure to present any evidence that the 1800 brand tequila
15 trade dress was distinctive or any evidence of a material misrepresentation in support of
16 Proximo's fraud claim supports a finding that the case is "exceptional." (Doc. 332 at 12.) For the
17 reasons explained below, the Court finds that the matter is "exceptional" because Proximo failed
18 to present colorable claims, as to distinctiveness and fraud.

19 **a. Distinctiveness**

20 Proximo does not dispute the legal standard argued by Gallo, but alleges that it presented
21 evidence of distinctiveness by virtue of the trademark registration of the 1800 Tequila bottle ("the
22 '855 registration"). (Doc. 332 at 12.) Proximo contends the presumption of validity accorded to
23 a trademark likewise confers a presumption of distinctiveness. (Doc. 332 at 12 (citing Humboldt
24 Wholesale, Inc. v. Humboldt Nation Distrib., LLC, 2011 WL 6119149 (N.D. Cal. Dec. 8, 2011)).)
25 However, Proximo did not argue this issue during the summary judgment proceedings and the
26 Court rejected Proximo's attempt to do so in its motion for reconsideration. (Doc. 298 at 10;
27 Doc. 275 at 17; Doc. 351 at 6-7.)

28 Additionally, Proximo does not assist this Court in demonstrating where and in what

1 manner it presented the evidence of distinctiveness. Despite this, this Court located a portion of
2 Proximo’s opposition to Gallo’s motion for summary judgment where in Proximo identifies the
3 ’855 Registration and, without more, asserts that it is “incontestable.” (Doc. 246 at 7.) Based
4 upon Proximo’s evidence (or lack thereof), the District Judge hearing the motion for summary
5 judgment found that Proximo failed completely to address the element of distinctiveness. (Doc.
6 275 at 17.) Moreover, though Proximo argues that the ’855 Registration was sufficient to
7 establish the distinctiveness of the bottle without the shot glass stopper, in considering Gallo’s
8 moving papers—without the benefit of evidence or argument to the contrary—the Court hearing
9 the summary judgment motion agreed that without the stopper, the bottle was a mere, indistinct,
10 trapezoidal shape. (Doc. 276 at 18.) Thus, Proximo’s failure to present evidence that the bottle
11 had achieved secondary meaning was therefore devastating to the continuance of this litigation.
12 This Court is unconvinced that Proximo was able to prove these elements but simply chose not to
13 do so. As a result, this Court finds that Proximo’s failure to present evidence of distinctiveness
14 renders the case is “exceptional” for purposes of this motion.

15 **b. Fraud**

16 Gallo argues that Proximo’s failure to present evidence that Gallo misrepresented a
17 material fact in support Proximo’s counterclaim for fraud warrants attorney fees under the
18 standards applied in Secalt. (Doc. 311 at 10.) Proximo relies on the language in Trademark
19 Manual of Examining Procedure (“TMEP”) 1201.06(a) to support the argument that Gallo, as the
20 distributor for Camarena Tequila, had no right to register the Camarena trade dress. (Doc. 332 at
21 14.) Thus, in Proximo’s estimation, Gallo’s filing of the registration was fraudulent because it
22 was an assertion that Gallo solely owned the mark. (Doc. 332 at 14.)

23 Unlike the distinctiveness issues addressed above, Proximo articulated its interpretation of
24 the statute and the trademark applications to the Court in its opposition to Gallo’s motion for
25 summary judgment; however, the Court rejected Proximo’s fraud claim.

26 [T]he Court finds no grounds to surmise or construe these alleged
27 misrepresentations from the statements in the applications. . . . Counterclaimants’
28 “sole source” theory appears to be based on outdated trademark law. Although a
trademark originally indicated the source of the related product, trademark law has
shifted to recognize various valid premises upon which a person or entity may own

1 a trademark Accordingly, and contrary to Counterclaimants' arguments, a
2 trademark does not necessarily designate the source of the goods or services with
3 which it is associated.

(Doc. 278 at 10-12.)

4 The Court noted that the TMEP allows the exact scenario where a United States importer
5 or distributor for a foreign manufacturer can, indeed, register the foreign manufacturer's mark,
6 provided the importer or distributor submits the appropriate paperwork. TMEP § 1201.06(a)(2).
7 (Doc. 278 at 13.) Based upon the status of the law and the lack of support for Proximo's position
8 on the registrations at issue, the Court soundly rejected Proximo's "sole source"
9 misrepresentation. Moreover, the Court noted that even if Proximo had established a
10 misrepresentation, it failed to address the other elements required for a fraud claim. (Doc. 278 at
11 15.) Given the Court's determination that Proximo failed completely to set forth a colorable
12 claim for fraud in the summary judgment proceedings, the Court here finds the case to be
13 exceptional.

14 **ii. Inapplicable and Unsupported Legal Theories**

15 Gallo cites at least five arguments made by Proximo during the course of litigation which
16 Gallo believes to be inapplicable and unsupported. (Doc. 320 at 6-7.) Gallo's arguments can be
17 broken down into two categories: 1) trade dress description and 2) Gallo's ownership of the
18 trademark bottle design for Camarena.¹ Gallo contends that Proximo's argument, that the trade
19 dress was comprised of several different elements from various products, was not factually
20 applicable and lacked legal support. For the same reasons, Gallo rejects Proximo's argument that
21 Gallo could not own a trademark for Camarena because it was manufactured by Tequila
22 Supremo. (Doc. 320 at 6-7 (citing D.S.P.T. Int'l, Inc. v. Nahum, 2008 WL 754803, at *3 (C.D.
23 Cal. Mar. 17, 2008) (awarding attorney fees against plaintiff in a trademark infringement case for
24 failing to raise colorable issues of fact or law)).) Proximo's Opposition to Gallo's motion for
25 attorneys' fees does not address either of these issues.

26
27
28 ¹ The Court has addressed previously Proximo's argument that Gallo could not own a trademark for Camarena under Part IV.A.i.b. and therefore does not discuss it further here.

1 Although Gallo anticipated in its motion for summary judgment (Doc. 214 at 14-18) that
2 Proximo intended to argue for a trade dress compromised of various elements that did not appear
3 on one product, and the Court, in turn, analyzed Gallo’s proof on the issue (Doc. 276 at 16-17), it
4 is unclear from Proximo’s pleadings that Proximo actually advanced or intended to pursue that
5 argument. Rather, Proximo’s Opposition focused solely on the bottle shape. (Doc. 275 at 13.) In
6 fact, Proximo raised the other elements of the trade dress only to address the issue of public
7 confusion. (Doc. 275 at 13.) Notably, even now, when discussing “distinctiveness” in opposition
8 to the current motion, Proximo mentions only the shape of the bottle. (Doc. 332 at 6-7.) Based
9 upon this Court’s review of the pleadings and Judge O’Neil’s Order on Gallo’s Summary
10 Judgment Motion (Doc. 275), the Court cannot find clear and convincing evidence that Proximo
11 directly argued for a trade dress comprised of a “hodgepodge of cherry-picked elements”² as
12 alleged by Gallo. Thus, this Court cannot find the case to be exceptional based upon Gallo’s
13 allegations of an ambiguous argument that was not clearly advanced by Proximo.

14 **iii. False Evidence to Evade Jurisdiction**

15 Gallo asserts that presenting false evidence supports a finding that the case is exceptional.
16 (Doc. 320 at 13). Gallo cites to the declaration by Ricardo Juarez, who initially denied
17 knowledge of the cease and desist letter (Doc. 27, ¶ 6, at 3), but later acknowledged authoring the
18 letter (Doc. 79 at 3 and 8), to demonstrate the false evidence supplied by Proximo. Thus, Gallo
19 concludes that Love v. Associated Newspapers, Ltd., 611 F.3d 601, 614-16 (9th Cir. 2011),
20 authorizes a determination that the case is exceptional.

21 In Love, Brian Love sued a number of defendants for various claims, including Lanham
22 Act violations. 611 F.3d at 606-08. In support of his claim of confusion, Love submitted a
23 declaration by a friend of Love’s attorney who claimed that he purchased a CD on eBay believing
24 it to be a Beach Boys’ album that turned out to be a solo album of Brian Wilson singing Beach
25 Boys’ songs. Id. at 608. The Court soon discovered that the affidavit was a fabrication and the
26 affiant was not confused by the labeling of the album. Id. The trial court did not attribute any

27 _____
28 ² The quoted phrase was actually the description used by the Court to describe Proximo’s potential argument that the trade dress consisted of the variety of elements set forth in Proximo’s responses to interrogatories. (Doc. 275 at 12.)

1 evidentiary value to the affidavit and sanctioned Love’s attorney. Id.

2 Though the Court found that the fabricated declaration “‘unreasonably and vexatiously . . .
3 lengthened or multiplied’ the work of the defendants and the district court,” the cure imposed was
4 sanctions against Love’s attorney. Id. Therefore, the Court did not find the case to be
5 exceptional based upon the fabricated affidavit. The Court of Appeals observed, “Here, the
6 district court’s finding of exceptional circumstances was based not on willful out-of-court conduct
7 by Love, but rather on the unreasonableness of his Trademark claims and his continued pursuit of
8 the claims in bad faith.” Id. at 616.

9 Here, Gallo argues that because declaration constituted “false evidence,” the Court should
10 conclude that the case is exceptional. Though the Court does not disagree that the travel to
11 Mexico to depose Mr. Juarez increased costs, there is no showing that determining the truth of the
12 declaration could not have been done through written form, for example. The Court recalls quite
13 clearly that it ordered Proximo to amend discovery responses (Doc. 49), such that the falsity of
14 the Juarez declaration should have been revealed without need for international travel. Likewise,
15 Gallo fails to demonstrate that determining the truth of the declaration was the crucial piece of
16 proof needed to establish this Court’s jurisdiction or any other element of any other claim.
17 Because Gallo does not support its argument that the “false declaration” played a key role in this
18 case, the Court finds that the declaration standing alone is insufficient to support a finding that
19 this case is exceptional.³

20 **iv. Other Egregious Conduct**

21 Gallo argues that Proximo engaged in other egregious litigation conduct, rendering this
22 case “exceptional” and thereby warranting an award of attorneys’ fees. (Doc. 320 at 13.) Gallo
23 alleges Proximo’s responses to interrogatories included information that would later be revealed
24 to be false, and cites Proximo’s repeated refusals to respond to discovery requests until motions to
25 compel were granted in favor of Gallo. (Doc. 320 at 13-14.) Gallo also cites to the seven months
26 it took Proximo to ultimately respond to Gallo’s first set of interrogatories in which Gallo asked

27 ³ In doing so, the Court does not condone this conduct and finds that denying knowledge of the letter in the capacity
28 of a representative of one company while knowing of it in his capacity as a representative of another, is plainly
ridiculous.

1 Proximo to define its asserted trade dress. (Id. at 14-15). Gallo asserts that by repeatedly
2 refusing to clearly define their trade dress, Proximo delayed Gallo’s motion for summary
3 judgment, prolonged this litigation, and imposed significant expense. (Id. at 15.)

4 In support of its contentions, Gallo relies on authority from other jurisdictions. (Id. at 13
5 (citing TE-TA-MA Truth Foundation-Family of URI, Inc. v. World Church of the Creator, 392
6 F.3d 248, 258 (7th Cir. 2004); Securacomm Consulting, Inc. v. Securacom Inc., 224 F.3d 273,
7 282 (3d Cir. 2000) (citing Beckman Instruments, Inc. v. LKB Produkter AB, 892 F.2d 1547,
8 1551-52 (Fed. Cir. 1989)). In both TE-TA-MA and Securacomm, the Courts found that a party’s
9 litigation conduct, as opposed to its willful infringement, could render a case “exceptional” and
10 justify an award of attorney fees. (Id.).

11 While the Ninth Circuit agrees that a party’s discovery abuses can render a case
12 exceptional, the Ninth Circuit has often found insufficient evidence to justify attorney fees based
13 upon a party’s discovery practices, unless bad faith is shown. (See Designing Health, Inc. v.
14 Erasmus 2003 WL 25902463, at *16-17 (C.D. Cal. May 1, 2003) (finding the case to be
15 exceptional where the defendant set forth the detail of plaintiffs’ discovery conduct, plaintiffs did
16 not dispute the allegations, and the court had already imposed the ultimate sanction of dismissal
17 against plaintiffs for their willful violations of, and disregard for the court’s prior discovery
18 orders; *but see* Stephen W. Boney, Inc. v. Boney Services, Inc., 127 F.3d 821, 827 (9th Cir. 1997)
19 (holding that mere animosity among the two parties does not provide evidence that a case is
20 exceptional); *see also* True Center Leasing, Inc. v. Sonoran Gate, LLC, 427 F. Supp. 2d 946, 950
21 (D. Ariz. 2006) (holding that misconduct falling short of bad faith or opprobrious conduct does
22 not provide evidence that a case is exceptional) (citing McClaran v. Plastic Indus., Inc., 97 F.3d
23 347, 364 (9th Cir. 1996)); M2 Software, Inc. v. M2 Communications, LLC., 281 F. Supp. 2d
24 1166, 1176-1177 (C.D. Cal. 2003) (holding that a plaintiff’s misconduct that was not egregious
25 enough to constitute bad faith and did not warrant an award of attorneys’ fees, because the fact
26 “that Plaintiff lost its case is a sufficient sanction for its sloppy discovery conduct”).

27 Here, though the Court is convinced that Proximo was “gaming” the discovery related to
28 Mr. Juarez’s knowledge of the cease-and-desist letter, this conduct could be attributed to

1 misguided and overly-aggressive lawyering that falls a hair’s breadth short of unethical conduct.⁴
2 Thus, the Court does not find that Proximo’s litigation tactics—which SHALL NOT be
3 condoned, copied or repeated—provide sufficient evidence that the case is exceptional.

4 **v. Pattern of Groundless Claims**

5 Gallo also asserts that Proximo has exhibited a continual pattern of pursuing groundless
6 claims. (Doc. 320 at 15). Gallo cites two examples of Proximo’s pattern of groundless claims: 1)
7 the trade dress infringement claim by Proximo’s sister company, Ex Hacienda Los Camichines,
8 S.A. de C.V., against Tequila Don Fulano in the Instituto Mexicano de la Propriedad Industrial
9 (“IMPI”) (generically referred to as the “Ex Hacienda action”) and 2) the subsequent action by
10 Proximo (specifically, “Agavera”) against Don Fulano in the United States for infringement of
11 the 1800 trade dress (“Fulano action”). *Id.* (citing Doc. 312-14 at 55). In the Ex Hacienda
12 action, the IMPI found that Don Fulano did not infringe upon the Mexican registrations related to
13 the 1800 trade dress. *Id.* Gallo asserts that despite the IMPI’s finding in the Ex Hacienda action,
14 Proximo needlessly initiated the Fulano action. (Doc. 320 at 15).

15 Gallo relies on the findings in Secalt to support its argument that the IMPI findings in the
16 Ex Hacienda action, the motion for summary judgment in this case, and the filing of the Fulano
17 action demonstrate a “pattern of groundless claims” sufficient to consider the case exceptional. In
18 Secalt, the court noted that the defendant was on “notice” that they lacked proof non-functionality
19 of the hoist at issue, as a federal district court in Georgia had previously denied defendant’s
20 request for preliminary injunction and cited defendant’s lack of proof of non-functionality. 668
21 F.3d at 688. Given such notice in the Georgia matter, the Secalt court noted that defendant’s lack
22 of proof of non-functionality in the Nevada matter clearly under-cut defendant’s argument that it
23 was raising a debatable issue of law and fact as to non-functionality. *Id.* However, Secalt’s
24 ultimate finding that the case was exceptional, did not turn on the prior ruling by the Georgia
25 court. Likewise, Secalt did not find that the prior ruling evidenced a “pattern of groundless

26 ⁴ Gallo also cites Skydive Arizona v. Quadttrochi, 704 F. Supp. 2d 841, 857-858 to support is claim that Proximo’s
27 delay in defining its trade dress is sufficient to find that the case is “exceptional.” (Doc. 320 at 15). Given that
28 Proximo’s response to discovery was delayed, but still timely, and that the Skydive defendants waited until the day of
trial to dismiss their counter-claims, the Court declines to find this case analogous to Skydive. Thus, the Court does
not find Proximo’s delay in defining the trade dress constitutes sufficient evidence that the case is exceptional.

1 claims” or that such a finding would have been sufficient to render the case exceptional. Id.

2 Even if the Court found that a “pattern of groundless claims” could give rise to a finding
3 that a case is exceptional, this Court cannot say with certainty that, here, Gallo has established a
4 “pattern of groundless claims” by Proximo. As Proximo points out, apart from the Ex Hacienda
5 action, the IMPI found Gallo’s three dimensional bottle design could not be registered in Mexico
6 because its similarity to the 1800 design could result in public confusion. (Doc. 332 at 19, fn5
7 (citing Doc. 332-12 at 3). Given the varied rulings by the IMPI regarding the distinctiveness of
8 the 1800 bottle design, the Court cannot find, as in Secalt, that the Ex Hacienda action put
9 Proximo on notice that it lacked proof of distinctiveness for its 1800 bottle design. (Secalt S.A.,
10 668 F.3d at 688).

11 **B. Reasonableness of Attorney Fees**

12 Gallo requests that this Court award \$1,757,239 in attorneys’ fees (\$1,694,538.00, plus
13 supplemental fees of \$62,701.00). Since the Court has found this case to be “exceptional,” it has
14 discretion to award reasonable attorney fees to Gallo. 15 U.S.C. § 1117(a). To determine the
15 amount of any such fee award, the Court will determine the lodestar figure by multiplying the
16 number of hours reasonably spent on the litigation by the reasonable hourly rate. (See Intel Corp.
17 v. Terabyte Intern., Inc. (9th Cir. 1993) 6 F.3d 614, 622 (citing Hensley v. Eckerhart, 461 U.S.
18 424, 433 (1983); see also Nadarajah v. Holder, 569 F.3d 906, 910 (9th Cir. 2009); 99 Only Stores
19 v. 99 Cent Family Sav., 2011 WL 2620983 (E.D. Cal. June 29, 2011); B & H Mfg. Co. v. Lyn E.
20 Bright, 2006 WL 547975 (E.D. Cal. Mar. 3, 2006). The fee applicant has the burden to
21 demonstrate that the requested hourly rate and number of hours claimed are reasonable. Intel 6
22 F,3d at 622-623 (citing Jordan v. Multomah 815 F.2d 1258, 1263 (9th Cir. 1987). If the applicant
23 satisfies this burden, the fee is presumed to be reasonable. Id.

24 However, in appropriate cases the Court may adjust the lodestar figure based upon the
25 factors listed in Kerr v. Screen Extras Guild, Inc., 526 F.2d 67, 70 (9th Cir. 1975). See Cairns,
26 292 F.3d 1139, 1158 (9th Cir. 2002). The original Kerr factors are as follows:

- 27 (1) the time and labor required, (2) the novelty and difficulty of the questions
28 involved, (3) the skill requisite to perform the legal service properly, (4) the
preclusion of other employment by the attorney due to acceptance of the case, (5)

1 the customary fee, (6) whether the fee is fixed or contingent, (7) time limitations
2 imposed by the client or the circumstances, (8) the amount involved and the results
3 obtained, (9) the experience, reputation, and ability of the attorneys, (10) the
4 “undesirability” of the case, (11) the nature and length of the professional
5 relationship with the client, and (12) awards in similar cases.⁵

6 Kerr, 526 F.2d at 70. The Kerr factors which have been subsumed in the initial lodestar
7 calculation are not used to determine whether to deviate from the lodestar figure. Blum v.
8 Stenson, 465 U.S. 886, 898-900 (1984). Additionally, the Court need only address those
9 Kerr factors relevant and necessary to support the reasonableness of the fee award.
10 Cairns, 292 F.3d at 1158.

11 **i. Reasonable Hourly Rate**

12 Gallo asks that the law firm of Harvey Siskind LLP, whose offices are located in the San
13 Francisco area, be compensated for its work in this case at an hourly rate of \$█ for paralegal
14 work and up to \$█ for attorney time. (Doc. 325 at 2-3.) D. Peter Harvey, one of the firm’s
15 partners, states that these hourly rates represent a significant discount to their customary rates and
16 contends that such rates are significantly lower than rates charged by other attorneys in the San
17 Francisco intellectual property legal community. (Doc. 320 at 18; Doc. 325 at 4; Doc. 314.)
18 Proximo objects to these rates on the grounds that the hourly rate Gallo requests is not
19 comparable to those charged by other counsel with similar experience in Fresno, California,
20 where this Court sits. (Doc. 332 at 22-26.)

21 The “reasonable hourly rate” corresponds to the prevailing market rate in the relevant
22 community, considering the experience, skill, and reputation of the attorney in question.
23 Chalmers v. City of Los Angeles, 796 F.2d 1205, 1210 (9th Cir. 1985). This Court has
24 previously found that the “relevant forum for purposes of compensation is the specific division of
25 the district in which the court sits.” (See Luna v. Hoa Trung VO, 2011 WL 2078004, at *5 (E.D.
26 Cal. May 25, 2011; see also Gates v. Deukmejian, 987 F.2d 1392, 1405 (9th Cir. 1992) (finding
27 the community where the court sits is the relevant market for determining reasonable fees).
28 Thus, only evidence of the prevailing hourly rate in the Fresno Division of the Eastern District of

⁵ The Supreme Court subsequently deemed the fixed or contingent nature of the fee irrelevant to the fee calculation, thus the sixth factor above is no longer considered. City of Burlington v. Dague, 505 U.S. 557 (1992).

1 California is relevant to the motion currently before this Court. Luna, 2011 WL 2078004 at *4-5.

2 In Luna, the court described several cases in the Fresno area in which attorneys with
3 decades of experience and competence in various areas of law had requested hourly rates at or
4 above \$400 per hour, but had only supported their request with evidence of case examples outside
5 the Fresno practice area. Luna, 2011 WL 2078004 at *4-5. While there does not seem to be a
6 question here, that attorney Harvey has a reputation of competence in intellectual property law or
7 that his years of experience do not support such competence, the Court does not find sufficient
8 evidence to demonstrate that the prevailing hourly rate in the Fresno area supports the hourly fee
9 requested by Gallo. Luna, 2011 WL 2078004 at *4-5. Gallo, in fact, acknowledges that if Fresno
10 is “relevant community”, the reasonable hourly rate for attorney Harvey is at least \$375. (Doc.
11 351 at 12.)

12 Gallo also seeks compensation for work performed by the Fresno law firm that initially
13 represented Gallo in this matter: McCormick Barstow Sheppard Wayte & Carruth LLP
14 (“McCormick Barstow”). (Doc. 325 at 3.) The highest hourly rate charged by any attorney for
15 McCormick Barstow in this motion for fees is \$325 per hour. (Doc. 312 at 3.)

16 This Court has previously identified \$375 per hour as the top of the compensation range
17 for a senior attorneys practicing in the Fresno area. Given the Court’s prior finding regarding
18 fees, this Court finds that the requested hourly rate of \$████ per hour for attorney Harvey is not
19 reasonable for this forum. Instead, the Court recommends \$375 per hour be deemed the
20 reasonable hourly rate for attorney Harvey’s time and that the hourly rates charged by other
21 members of the Harvey Siskind firm be proportionally reduced⁶ as well. (See Luna 2011 WL
22 2078004, at *5). The hourly rates requested for the work performed by McCormick Barstow are
23 within the compensation range for attorneys practicing in the Fresno area and are therefore
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25 ⁶ The rate adopted by the Court represents a █████ discount of the hourly fee charged by attorney Harvey. The
26 Court will therefore apply this discounted rate across all rates charged to Gallo by Harvey Siskind LLP. According
27 to attorney Harvey’s declaration, the following persons from his firm assisted in the litigation of this case: D. Peter
28 Harvey (DPH), Naomi J. Gray (NJG), Matthew A. Stratton (MAS), Seth I. Appel (SIA), Don A. Thompson (DAT),
Elena Benavente (MEB). Although other members of the firm assisted occasionally in the litigation, Gallo does not
seek to recover fees incurred for any other members of the firm. Thus, any references to billing by persons not
named above will be excluded. (Doc. 312 at 2.)

1 deemed to be reasonable.

2 **ii. Reasonable Time Spent**

3 Since January 2010, Gallo has primarily utilized 6 attorneys and 2 paralegals, who have
4 spent a total of \$4,826.4 hours on the case. (Doc. 312-2, 326). In determining the lodestar figure,
5 “[t]he district court . . . should exclude from this initial calculation hours that were not
6 „reasonably expended.’ Cases may be overstaffed, and the skill and experience of lawyers vary
7 widely.” Hensley, 461 U.S. at 434. While reasonable hours may include time spent by more than
8 one attorney on a particular issue or task, if there is duplication of effort, the court may reduce the
9 total hours claimed. Davis v. City & Cnty. of San Francisco, 976 F.2d 1536, 1544 (9th Cir.
10 1992). Furthermore, the Supreme Court has held:

11 Counsel for the prevailing party should make a good faith effort to exclude from a fee
12 request hours that are excessive, redundant, or otherwise unnecessary, just as a lawyer in
13 private practice ethically is obligated to exclude such hours from his fee submission. “In
14 the private sector, „billing judgment’ is an important component in fee setting. It is no
less important here. Hours that are not properly billed to one’s client also are not properly
billed to one’s *adversary* pursuant to statutory authority.”

15 Hensley, 461 U.S. at 434.

16 The fee applicant bears the burden of documenting the appropriate hours expended in the
17 litigation and must submit evidence in support of those hours worked. Id. at 433, 437; *see also*
18 Blum, 465 U.S. at 896; Fischer v. SJB-P.D., Inc., 214 F.3d 1115, 1119 (9th Cir. 2000). The party
19 opposing the fee application may challenge the accuracy and reasonableness of the hours charged
20 or the facts asserted by the prevailing party in its submitted affidavits. Blum, 465 U.S. at 892 n.5;
21 Toussaint v. McCarthy, 826 F.2d 901, 904 (9th Cir. 1987).

22 A court must review the time billed and assess whether it is reasonable in light of the work
23 performed and the context of the case. *See* Common Cause v. Jones, 235 F. Supp. 2d 1076, 1079
24 (C.D. Cal. 2002); *see also* McGrath v. Cnty. of Nevada, 67 F.3d 248, 254 n.5 (9th Cir. 1995)
25 (noting a court may not adopt representations regarding the reasonableness of time expended
26 without independently reviewing the record); Sealy, Inc. v. Easy Living, Inc., 743 F.2d 1378,
27 1385 (9th Cir. 1984) (remanding an action for a thorough inquiry on the fee request where “the
28 district court engaged in the „regrettable practice’ of adopting the findings drafted by the

1 prevailing party wholesale” and explaining a court should not accept[] uncritically [the]
2 representations concerning the time expended”). To demonstrate that the amount of time spent on
3 the case was reasonable, the party must present more than simple records demonstrating the time
4 actually spent on the case. Sealy, 743 F.2d at 1385. “Where the documentation of hours is
5 inadequate, the district court may reduce hours accordingly.” Hensley, 461 U.S. at 433.

6 Gallo’s counsel has provided evidence documenting the tasks performed, the amount of
7 hours spent by the legal professionals in both the Harvey Siskind and McCormick Barstow firms,
8 and the hourly rates for the work that was charged. (Docs. 312-2, 326, 355, 357.) With this
9 information, the Court now reviews the time billed to assess whether it is reasonable in light of
10 the work performed and the context of the case. *See* Common Cause, 235 F. Supp. 2d at 1079.

11 **a) Apportionment**

12 Gallo’s request for attorneys’ fees is based upon all attorney fees it incurred as of the date
13 of the filing of their own complaint. (Doc. 312 at 2). However, under 15 U.S.C. § 1117(a),
14 attorney fees are recoverable only for legal work performed in connection with claims filed under
15 the Lanham Act. Gracie v. Gracie (9th Cir. 2000) 217 F.3d 1060, 1069. Thus, there is a general
16 rule which requires a Court to apportion or an attempt at apportion the fee award so as to exclude
17 any fees for legal work performed on non-Landham Act causes of action, unless the court finds
18 the Landham Act and non-Landham Act claims are so inextricably intertwined that even an
19 estimated adjustment would be meaningless. Gracie 217 F.3d at 1070.

20 Here, Gallo’s motion for summary judgment challenged all four causes of action raised by
21 Proximo’s Counterclaim. (Docs. 275, 278.) In order to determine whether the time spent by
22 Gallo’s counsel was reasonable, the Court must first evaluate the four causes of action to
23 determine which are eligible for attorney’s fees under the Landham Act.

24 **1) Gallo’s Defense of Proximo’s Landham Act Claims**

25 Given that Gallo initiated this case against Proximo, the Court finds that any work
26 performed on the case prior to Proximo’s January 20, 2011 Counterclaim was solely a function of
27 Gallo’s decision to file for declaratory relief against Proximo and should not be attributed to
28 Gallo’s defense of the Landham Act causes of action brought by Proximo. As a result, it is

1 recommended that only the legal work billed to Gallo after January 20, 2011 be eligible for
2 recovery of attorneys' fees. (Doc. 85.)⁷

3 **2) Landham Act Claims**

4 The Court finds that Proximo's first three causes of action against Gallo are Landham Act
5 claims that are eligible for recovery of attorney fees. Since Proximo's first cause of action
6 expressly alleges infringement of their trade dress in violation of the Lanham Act, 15 U.S.C. §
7 1114, et seq. (Doc. 85 at 11), Gallo is eligible for attorney fees incurred in the defense of this
8 cause of action. Proximo's second cause of action likewise alleges a direct violation of the
9 Landham Act; specifically, the use of false designations of origin. (Doc. 85 at 11-12.)

10 Proximo's third cause of action which alleges unfair competition under "common law" is
11 likewise eligible for reimbursement. (Doc. 85 at 12.) Standing alone, Proximo's unfair
12 competition claim is a non-Lanham Act claim. As such, it requires a showing that it is so
13 intertwined with the Lanham Act claims so as to be impossible to differentiate work done on each
14 claim individually, is ineligible for an award of attorneys' fees. Given that unfair competition
15 claims rely on the same contentions as patent infringement causes of action and thus, rise and fall
16 together with Lanham Act claims, such claims are frequently considered to be so inextricably
17 intertwined with those Lanham Act claims that adjustment of attorneys' work done on them
18 would be meaningless. BBQ Hut, Inc. v. Maelin Enters., 2008 WL 2687685, at *3 (D. Ariz. July
19 3, 2008); see also Yeager v. Bowlin, 2010 WL 2303273, at *9 (E.D. Cal. June 7, 2010); World
20 Triathlon Corp. v. Dunbar, 539 F. Supp. 2d 1270, 1282 (D. Haw., 2008). The Court finds that to
21 be the case here. Consequently, all legal work attributed to the defense of the third cause of
22 action is eligible for reimbursement.

23 **3) Non-Landham Act Claims**

24 Proximo's fourth cause of action alleges Gallo committed fraud upon the United States
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26 ⁷ During oral argument, Proximo argued that Gallo's suit made Proximo's counterclaim compulsory and
27 therefore, Proximo should not be "punished" for bringing its cross-complaint. As described in Part IV.A. above, the
28 Court's finding that the case is "exceptional" is not predicated on the mere fact that Proximo filed a counterclaim;
rather, the Court's finding was based on Proximo's failure to present evidence to support the causes of action alleged
in their counterclaim.

1 Patent and Trademark Office. (Doc. 85 at 13; Doc. 332 at 14 (citing TMEP § 1201.06)). Since
2 this claim is independent of the Landham Act and Gallo has not shown it to be intertwined with
3 the other Landham Act claims; it is not eligible for an award of attorneys' fees. Thus, time billed
4 for work related to the defense of this cause of action will be excluded.

5 **b) Travel Fees**

6 In the billing submitted by Gallo, counsel for both firms has included travel time within
7 their hourly rates. (Docs. 312-2, 326, 355, 357). The task of determining the appropriate
8 methodology for evaluating the reasonableness of fee awards "begins and ends with an
9 interpretation of the attorney's fees statute." Blum, 465 U.S. at 892. Travel time to attend
10 meetings, depositions, and court may be recovered if local attorneys in private practice
11 customarily bill their clients for this time. Davis, 976 F.2d at 1543; *see also* Chalmers v. Los
12 Angeles, 796 F.2d 1205, 1216 (9th Cir. 1986). Gallo bears the burden of showing that it is
13 entitled to the claimed hours. *See* Hensley, 461 U.S. at 434. The Court has reviewed Gallo's
14 briefs and declarations and found no showing that local attorneys in Fresno customarily bill their
15 clients for travel time at their regular hourly rate (other than the obvious fact that McCormick
16 Barstow billed for such time in this case). As a result, the Court will exclude hours claimed for
17 travel time.

18 **c) Supplemental Invoices**

19 After the hearing on the motion, the Court allowed Gallo to supplement the invoices it
20 previously produced with the additional attorneys' fees it incurred in bringing this motion. (Docs.
21 361, 362, 363.) Specifically, Gallo requests an additional \$62,701.00 in attorney's fees for 166.2
22 hours of work performed at the previously requested hourly rates. (Docs. 362, 363). The Ninth
23 Circuit has held that time spent on such motions, specifically motions for attorneys' fees, is a
24 necessary part of awards of attorneys' fees. *See* Harris v. Marhoefer, 24 F.3d 16, 19 (9th Cir.
25 1994) (holding that an omission of attorneys' fees by a district court, for work done on a motion
26 for fees, would have been in error); Spalding Labs., Inc. v. Arizona Biological Control, Inc., 2008
27 WL 2227501, at *3 (C.D. Cal. May 29, 2008) (granting an additional award of fees sua sponte,
28 for time spent preparing the motion for attorneys' fees); Jones v. County of Sacramento, 2011

1 WL 3584332, at *20 (E.D. Cal. Aug. 12, 2011) (granting an award of fees for time spent on a
2 motion for attorneys' fees, finding that the amount of 79.5 hours requested was reasonable in light
3 of the extensive nature of the motion). Subject to the apportionment and reasonableness issues
4 previously discussed, the supplemental fees are eligible for recovery.

5 **iii. Lodestar Amount**

6 The Court has reviewed Gallo's billing invoices and other evidence submitted in support
7 of this motion. Although Gallo utilized the services of two law firms in this case, McCormick
8 Barstow's work on the case only constituted about 5% of the total hours worked. Thus, the work
9 billed by the two firms did not appear duplicative. Additionally, the billing incurred due to
10 discovery disputes appeared reasonable and appropriate given the issues in the case. Based upon
11 the Court's review of that evidence and the factors discussed in Parts IV.B.i-ii above, the Court
12 finds the remaining time spent by Gallo's counsel to be reasonable in light of the work performed
13 and issues in this case.

14 The specific amounts deducted from Gallo's requested fees from January 20, 2011
15 forward are as follows: \$ [REDACTED] for time spent on Proximo's fourth cause of action,
16 \$ [REDACTED] for travel, and \$ [REDACTED] in hourly fee reductions for Harvey Siskind employees.
17 After the Court reduced the hourly rate for the Harvey Siskind employees by [REDACTED], excluded all
18 billing incurred before January 20, 2011,⁸ subtracted billing that was attributed to work on
19 Proximo's fourth counterclaim, and eliminated billing associated with travel time, the Court
20 calculated the eligible lodestar amount as \$986,958.46. (\$942,853.46 is designated as
21 reimbursement for legal fees paid to Harvey Siskind LLP and \$44,105.00 is designated as
22 reimbursement for legal fees paid to McCormick Barstow.)

23 **iv. Evaluation of Relevant Kerr Factors.**

24 Since the Court has calculated the lodestar fee based on the extensive considerations
25 above, the Court sees no need to further adjust it based on any of the Kerr factors. Other than the
26 factors already addressed and subsumed in the lodestar consideration, the Court does not see any

27 _____
28 ⁸ Gallo's next billing statement from Harvey Siskind, LLP following Proximo's January 20, 2011 counterclaim is dated March 9, 2011 for services incurred between February 1, 2011 and February 28, 2011. (Doc. 355 at 58).

1 significant influence from those factors argued by the parties. Although the case was complex, its
2 difficulty did not appear to rise above a level seen in other similar trademark cases. Both sides
3 have alleged that the other engaged in dilatory tactics, nullifying any potential effect of time- or
4 duration-based considerations. Finally, the award is comparable to recent similar cases. E.g.,
5 Secalt, 668 F.3d at 689 (affirming award of \$836,899.99 in attorneys' fees); Love v. Associated
6 Newspapers, 611 F.3d at 616-17 (affirming award of \$518,859 in attorneys' fees). Therefore no
7 multiplier, either upward or downward, will be applied to the lodestar calculation.

8 **V. CONCLUSION AND RECOMMENDATIONS**

9 Since Proximo failed to provide any evidence to support the essential elements of its
10 causes of action for fraud and trademark infringement in its motion for summary judgment, the
11 Court recommends the case be deemed "exceptional." For exceptional cases, the Court has
12 discretion under the Landham Act to award attorney fees to the prevailing party. Here, Gallo has
13 submitted detailed invoices to demonstrate that the time spent on the case was reasonable in light
14 of the issues in the case. While the Court agreed that the majority of the fees charged to Gallo
15 were reasonable, the Court recommends the following adjustments: 1) that the reasonable hourly
16 rate for each member of the Harvey Siskind firm be reduced by ██████ to reflect a maximum
17 hourly rate of \$375 per hour; 2) that any fees incurred prior to the filing of Proximo's
18 counterclaim on January 20, 2011, be eliminated; 3) that all fees related to the defense of
19 Proximo's fraud claim be eliminated, as it is a non-Landham Act claim; and 4) that Gallo's hourly
20 billing for travel be eliminated, as Gallo failed to demonstrate such fees are generally charged.

21 For the reasons set forth above, this Court **HEREBY RECOMMENDS**

- 22 1. Gallo's motion for attorneys' fees be **GRANTED**.
- 23 2. Gallo be awarded \$986,958.46 in attorneys' fees.

24 These findings and recommendations are submitted to the United States District Judge
25 assigned to the case, pursuant to the provisions of 28 U.S.C. § 636(b)(1)(B) and Rule 304 of the
26 Local Rules of Practice for the United States District Court, Eastern District of California. Within
27 14 days after being served with these findings and recommendations, the parties may file written
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objections with the Court. Such a document should be captioned “Objections to Magistrate Judge’s Findings and Recommendations.” Any reply to the Objections shall be filed and served within fourteen days of the date of service of the objections.

IT IS SO ORDERED.

Dated: July 21, 2012

/s/ Jennifer L. Thurston
UNITED STATES MAGISTRATE JUDGE